

2007 Summer Assessment

NIPSCO

May 31, 2007

Presentation Overview

- Planning Reserve Margin
- DSM Programs
- Demand
- Resources
- Margin
- Fuel
- IRP
- Transmission
- MISO

Planning Reserve Margin

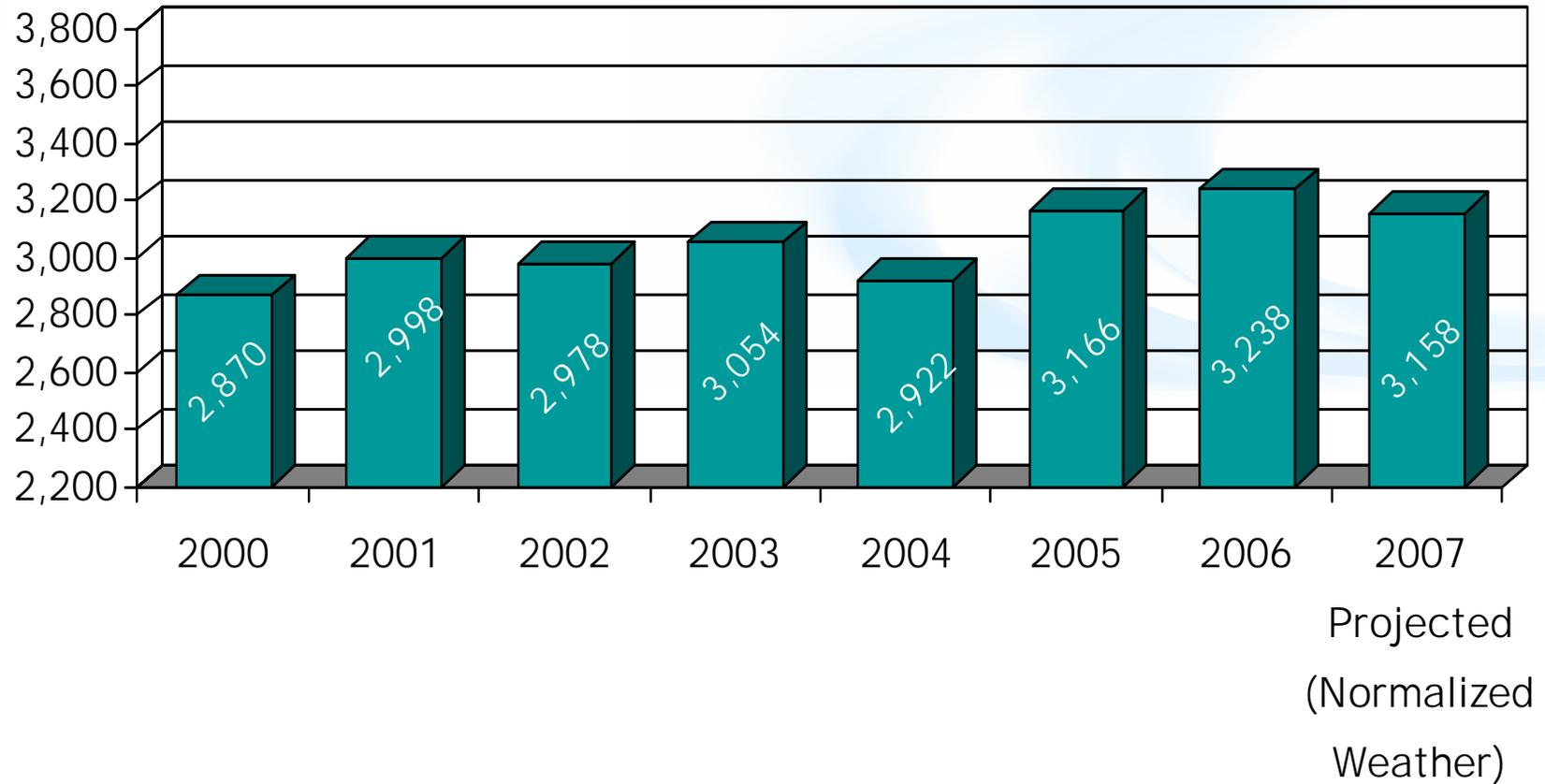
- Summer of 2006, Reliability *First* day ahead 4% operating reserve margin
- Projected reserve margin for 2007 is 8%
- Discussions are being held that will set long-term planning reserve margin requirements between 9% - 15%, NIPSCO is targeting 12% in the 2007 IRP

* NIPSCO's portfolio is a combination of internal generation, purchases and interruptible

DSM Programs

- Interruptible Load
 - 100 MW can be interrupted within 10-minute notice
 - 170 MW can be interrupted within 30-minute notice
 - Total of 270 MW of interruptible load
- Traffic and street lighting conservation programs
- Weatherization programs
- Energy conservation educational programs
- 2007 IRP DSM options include
 - residential direct load control
 - photovoltaic programs and
- The development of time-of-use and demand response based tariffs is being evaluated

NIPSCO Electric Peak Demand (MW)



Demand: June – August 2007

	NIPSCO Load (MW)		
	June	July	August
2007 Projected Peak* Normalized Weather	3,115	3,133	3,158
2006 Actual Peak	2,820	3,238	3,120
Date	6/16/06	7/31/06	8/2/06
Time	HE 1400 CST	HE 1300 CST	HE 1300 CST
Temperature	88°F	94°F	93°F
General Load	2,005	2,495	2,494
Industrial Load	815	743	626
2005 Actual Peak*	3,166	3,001	3,039
2004 Actual Peak*	2,867	2,922	2,898

* Interruptibles Served

Resources: June – August 2007

	Resources (MW)		
	<u>June</u>	<u>July</u>	<u>August</u>
NIPSCO Generation	2,787	2,787	2,787
Scheduled Maintenance	(31)	0	0
Firm Purchases	500	500	500
Planned Purchases	0	0	50
Spot Purchases *	<u>-</u>	<u>-</u>	<u>-</u>
Net Available Resources	3,256	3,287	3,337

* Purchases will be made as needed depending on the forecast.

Margin: June – August 2007

	Reserve Margin (MW) (Serving Interruptible)		
	June	July	August
Net Available Resources (from pg 7)	3,256	3,287	3,337
Total Demand (from pg 6)	3,115	3,133	3,158
Available Margin (serving Interruptible)			
Mw	141	154	179
%	4.5	4.9	5.7
	(Not Serving Interruptible)*		
	June	July	August
Net Available Resources (from pg 7)	3,256	3,287	3,337
Total Demand (from pg 6)	3,115	3,133	3,158
Interruptible *	-100	-100	-100
Total Demand (not serving Interruptible)	3,015	3,033	3,058
Available Margin (not serving Interruptible)			
Mw	241	254	279
%	8.0	8.4	9.1

* Includes only 10 minute interruptible

Fuel - 2007

- Coal
 - No coal shortages
 - Commodity prices have increased
 - Delivery costs have increased due to diesel fuel charges
- Natural gas is expected to be approximately \$8.00/MMBtu for the summer months, but prices could be impacted by weather events

IRP Status

- Received Request For Proposals, top nine proposals are being evaluated and negotiated where appropriate
- NIPSCO self build options were developed
- D. H. Mitchell Stakeholder meetings have been ongoing
- DSM options were studied
- All of the above were included in the IRP modeling
- Preliminary results of the IRP have been completed, sensitivities to cases are being reviewed

Transmission Status - 2007

- Transmission system prepared for summer demands
- 138 / 345 kv system inspections complete
- Ongoing maintenance
 - Vegetation management
 - Substation maintenance
 - Infrared scans
- Operating procedures in place

Positives

- Power Deliverability
 - Congestion handled better with LMP (Locational Marginal Pricing) versus TLR (Transmission Loading Relief)
- Transparent real time market pricing

Evolving

- Market Cost Controls
- Ancillary Services Market – Day 3
- Long Term FTR's (Financial Transmission Rights)
 - Purchase 10 years of FTR's in 2008
- Transmission Expansion Cost Sharing
- MISO PJM cross border cost allocation
- Post transition pricing